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Mehta, Jamshed Kaikhusroo

Lecture on “The economic effects of the war on the...

[Bombay]

[1915?]

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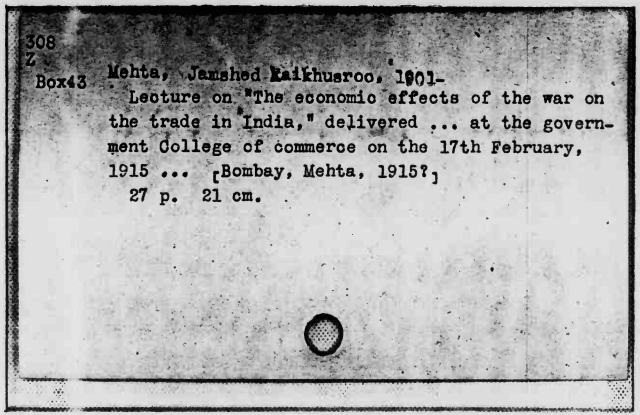
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Mehta, Jamshed Kaikhusroo, 1901-
Lecture on "The economic effects of the war on the trade in India," delivered ... at the government College of commerce on the 17th February, 1915 ... [Bombay, Mehta, 1915?]
27 p. 21 cm.

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TECHNICAL MICROFORM DATA

FILM SIZE: 35 mm REDUCTION RATIO: 10:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 2-27-97 INITIALS: PB

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Lecture

ON

"The Economic Effects of the War on the Trade in India."

DELIVERED BY

Mr. J. K. Mehta M. A.

Secretary,

The Indian Merchants' Chamber and Bureau,

BOMBAY.

at the Government College of Commerce

on the 17th February 1915.

Under the Presidentship of

The Hon'ble Mr. Marshal Reid C. I. E.

Chairman of the Bombay Chamber of Commerce.

May 21, 1917 VET

Economic Effects of the War on the Trade in India.

MR. PRESIDENT AND GENTLEMEN:—

1. Before I begin my lecture I should like to thank my friend Mr. Anstey for giving me this opportunity of speaking before the students of this College and such an assembly of leading merchants and industrialists of this City.

2. When I was asked to lecture here I thought that no subject could be more suitable than the one I have chosen, as before the great problems arising out of the present War everything else pales into insignificance. I recoguize of course that the time has not yet arrived when the events of this crisis can be treated in a critical manner. But I think, much useful purpose will be served if one gives the measures undertaken by the Government and the commercial public at such a juncture and compares and analyzes figures and statistics to show the economic effects of the War on trade. Such an analytical and synthetical treatment would be specially useful to students of this College who would find in this great war and its economic effects subject for a deep study and interesting education.

3. One of the great characteristics of the modern civilization is the development and expansion of trade and industries, both national and inter-national, and expansion never dreamt of by our fore-fathers even in their wildest dreams. Such an expansion is based on the highly developed means of transport and communication and above all on the

development of credit which plays a fundamental part in the modern inter-national trade and commerce. It was long since thought that this highly developed inter-national trade would be a great factor operating against the declaration of hostilities by the leading powers of the world, no matter how inflated their armaments might be. In fact the Agadir incident showed that commerce and finance had also much to say with regard to the waging of war by a people This time however all these barriers were overcome and the Armageddon was ushered in Europe without trade and commerce operating as a reason for the continuance of peace. Trade and commerce however, though they had no voice in that week which settled the imminent question of war or peace, were the first consideration of the different Governments concerned after the declaration of hostilities, for it was realised that these would play a prominent part in the ultimate crushing of the enemy. The main objective of all the steps taken by the belligerent Governments was (*a*) to maintain intact, as much as possible, the financial position of the country, (*b*) to prevent such commodities going to the enemy countries as may be useful to them either for food or war purposes (*c*) to prevent the enemy country from exporting such products as may tend, by international exchange, to give it in return either money or other commodities, (*d*) to develop the indigenous industries of the country, specially those which may have been hitherto the monopoly of enemy countries and (*e*) above all to realize the cry of "business as usual" by keeping all the trade and industries going on in their normal course. With this objective the British Government undertook several measures which may be summarized as follows:—

a. The first step taken was to issue a Proclamation called the Trading-with-the-enemy-Proclamation prohibiting every form of trading with enemy countries. This proclamation was modified to some extent later on when it was found that its too rigid application might harm some of the British subjects. Thus it is provided that people who have got their patents in Germany would be allowed to remit their renewal fees to enemy countries.

b. Next to this comes the prohibition of imports and exports from and to enemy countries, in some cases extending this ordinance even to neutral countries, as also to some parts of the British Empire. The principal things to be prohibited were war materials, as also those things which would enable the enemy countries to prolong the war or to carry on their trade and industries. Thus the materials prohibited from being exported from the United Kingdom and India comprise food stuffs, forage for animals, clothings, gold and silver, railway materials, fuel, bullocks, horses etc. Exports of hides and skins were prohibited to all parts in Europe and on the Mediterranean and Black Sea, other than those of the United Kingdom, Russia (except the Baltic ports), France, Spain and Portugal, this relaxation regarding exports being permitted because of the protests of some Chambers of Commerce and, that too, provided there was no reason to suspect possible diversion of the goods to enemy countries. In the same way the export of Wool was prohibited but on a protest from the Karachi Chamber of Commerce the original ordinance was so modified as to allow of exports in case of those varieties ot Wool which might not be required by the local manufacturers. There is also the restriction on the export of Wheat, limiting it to 78,000 tons upto the 1st April 1915, this step being taken because of the abnormal price of Wheat. Several important Chemicals, hitherto the monopoly of Germany, having been stopped from being imported here, some of our industries, specially the mill-industry, have suffered much. Not only this but the exports of Dyes and

Dye-stuffs and several Salts like Bicarbonate and Bichromate have also been prohibited from the United Kingdom to this country. The Government have however taken care to see that merchants and manufacturers, who want either the import or the export of some of these prohibited articles, shall be able to do so by special licenses. It must be sometimes a hard and thankless task to declare certain articles as prohibited for import or export purposes, but the key to all these different prohibitions and relaxations is to be found in the objective I mentioned a short while ago. That explains the seeming inconsistancies and apparent hardships.

c. There was a humorous instance of a leading American house being unable to decipher the meaning of moratorium when it was declared by the British Government. This term which was so abstruse then has come to be familiar, as just after the declaration of hostilities almost all the civilized Governments declared partial or full moratorium according to the necessities of the time. It was by the Proclamation of the 2nd August 1914 that the payment of certain Bills of Exchange was postponed by the British Government, and this Proclamation was extended on the 6th August to all payments which had become due or payable before the date of that Proclamation, which however did not apply to several sorts of payments, the principal of them being those in respect of wages or salaries, those in respect of rates or taxes, old age pensions, those in pursuance of the National Insurance Act and the Workmen's Compensation Act, those in respect of the Withdrawal of the deposit by a depositor in the Trustee Savings Bank. This moratorium was declared only for one month and the period was afterwards extended by another two months. Before ending the moratorium the Government consulted the leading Bankers, Stock Brokers, manufacturers and merchants and the extension was due to a majority voting

for it. How complicated and delicate are the present relations and interrelations between several lines of trade will be seen from the reply given by one coal manufacturer and merchant. He observed that in his capacity of a manufacturer he was not in favour of extending moratorium, but that in his capacity of a merchant he was in favour of extending the same. The moratorium was not declared in India, though here too there was difference of opinion regarding it. As a matter of fact, however, though no moratorium was declared all the Bankers, manufacturers and merchants behaved towards one another as if there was this Proclamation, supporting and helping mutually, duly recognizing that the loss of the one would be a loss to the other.

d. One of the greatest effects of the War was on international Exchanges, the dislocation of which exercised an extremely prejudicial influence upon trade generally and specially upon the foreign trade of the country. After a series of conferences at the Treasury, the Chancellor of the Exchequer announced that the Bank of England would provide, where required, acceptors with the funds necessary to pay all approved pre-moratorium Bills at maturity. The far reaching character of the announcement will be seen at once and it did much to remove the difficulties in which the export trade even of this country was placed. Indian exporters of seeds, cotton etc. financed by the Exchange Banks would have had a bad time of it, had not this announcement with regard to Bills had a great effect in soothing the disturbed conditions of the market and in allowing the colossal business of the Empire to go on as usual.

e. With the above measure must be also taken the War Insurance Scheme which, guaranteeing the Shipping Companies against loss if this were due to War, and thus removing

a great deal of danger secured bottoms to trade which would otherwise have suffered immensely through the want of shipping. This State Insurance scheme was one of the bold measures designed to secure the continuance to trade even amongst the adverse and abnormal conditions of the War.

f. No reference to the measures taken by the Government to safeguard commerce and Industry will be sufficient without a glance at the immense and towering strength of the British Navy which has cleared the Seas in so short a time of all hostile vessels and eliminated German mercantile shipping altogether. The effect of this on trade, Commerce and Industry of the Empire will be realized by those who observed the fright of some of our people at the time of the Emden raid and who see our import and export trade going on, albiet much reduced, even when the War is going on at its hottest.

g. One of the first steps taken by the belligerent Governments on the declaration of the War was to lay an embargo on the use of gold, in order that the gold resources may be conserved. The British Chancellor of the Exchequer declared that any man who at this juncture selfishly held out gold was inflicting great injury on the nation. There must be however some medium of currency to take the place of gold and this was found in the paper currency notes issued through the Bank of England to Bankers, and, when required, upto a maximum limit not exceeding, in the case of any Bank, 20 p. c. of its liabilities of deposit and current accounts. These may be regarded as Treasury Warrants issued by the Government and made "Legal tender." In France the Bank of France and the Bank of Algeria were freed from the obligation of paying their notes in specie. With regard to the small change required the Chamber of Commerce in Paris was

prepared to print small notes even for 50 centimes (5*d*), 1 franc (10*d*) and 2 franc (1*s*-8*d*.) The German public also was appealed to to exchange gold for notes with the result that at the end of five months of War the notes in circulation in Germany have somewhat exceeded the immense sum of 252½ million sterling. In India also, as you all have seen, the Government allowed for the first few days gold to be drawn, if the demand was for a lump sum of £. 10,000, but even this concession was taken away when it was found that a certain section of the public was hoarding gold, even at some injury to public interests. For the rest our silver and paper currency has done well in supplying the needs of the people for a currency medium. With reference to this hoarding tendency a financial writer observed that, "in the recent crisis the illiterate and heterogeneous people of India appeared to have stood the strain better than the highly civilised population of the United Kingdom." From the Indian Paper currency Department between 1st August and 22nd November £. 8,246,825 worth of silver rupees and sovereigns were taken mainly for internal circulation. According to the Statist during the first thirteen weeks after the commencement of the war, the net internal absorption of gold in the United Kingdom was £. 7,759,000. It is also interesting to note that Sir George Anderson, the Treasurer of the Bank of Scotland, reported that the demand for half-sovereigns was great and persistent and that he had a suspicion that more money was being carried in pockets or left in tills and other receptacles than was necessary.

h. The Government activities to help trade, commerce and the general public to tide over the present crisis did not end here. It was found that several dealers in the necessities of life like food-stuffs took advantage of the war conditions to kick up the prices, causing, thereby, suffering to the public

and creating a panic. Both in Great Britain and in this country the Government came down upon these people and asked the dealers not to raise the prices abnormally. We have got Committees appointed at several places to watch the fluctuations in prices and to take necessary steps to prevent abnormal prices. These Committees, however, having not got any legal powers, could exert only a sort of moral influence, hence when wheat prices reached a level which was but scarcely reached before, the Government thought it well to interfere and restricted the export of Wheat to 78,000 tons upto the 31st of March 1915, and also took over the powers of commandeering stocks of wheat, if it was found that they were being kept back from the market for *malafide* purposes. This power is not yet exercised, but it may be, if there is any cornering resorted to. The Government of Great Britain have taken up these powers long since and with the heavy increase in price of bread there was a suggestion that wheat might be commandeered at about 42 shillings, a suggestion which Mr. Asquith recently disapproved of. Germany and Austria, it is said, have also taken the same steps. The underlying object of this measure is undoubtedly to avert a panic and to spread out, if there is any need for doing so, the area of distress, fairly and proportionately.

i. The hostile countries were supplying not only this country but also Great Britain several manufactured products, which it is now a problem to manufucture in the Empire. Not only this but there were several ingredients essential for several industries which it is now impossible to procure anywhere else. Thus the cotton manufacturing industry both of Great Britain and India is suffering heavily because of the cessation of imports of dyes and dye-stuffs from Germany. Through all these reasons there is a demand from the commercial community that the Government should directly and actively encourage and help particular industries. There are in some quarters here exaggerated notions of what the Government have done in this direction in Great Britain. There is however only one specific instance in which the British Government have helped an industry and it is for the manufacture of synthetic dyes, details of the Government help in connection with which appeared in Saturday's (13th February) papers. This action, as the Honourable Mr. Clark recently explained in the Imperial Council, was taken firstly in order to make good the immediate shortage of dyes which, owing to the cessation of supplies from Germany, has been causing great apprehension in the textile trades and other important British industries and secondly, in order to guard against the recurrence of the same difficulty in future. With regard to India, the Government have published several pamphlets dealing with the different industries which hitherto were almost the monopoly of Germany and Austria but which can be taken up and developed in this country. Several pamphlets also mention the peculiar difficulties to be confronted in the development of such industries. Besides these pamphlets, the Commercial Intelligence Department of the Government is organising exhibitions of German and Austrian goods and also of Indian made articles to show how the local industrialists can move in the matter.

j. The Government have also both in the United Kingdom and in India suspended the operation of the Patents Act in order to enable British subjects to work patents which are not being worked by aliens.

k. As soon as it was finally and officially announced that the moratorium would be raised on November 4, schemes were also made known whereby, subject to certain conditions, assistance would be given by the Bank of England, and in

the case of the Stock Exchange, where the moratorium may be said to have ceased with the first settlement after the crisis, on November 18, it was arranged, first, that the joint stock banks would not call in loans or demand further margins from the House until a year after the war, while other institutions who had lent to the Stock Exchange and who were unable to continue to give the same facilities, were to obtain assistance through advances from the Bank of England against Stock Exchange securities to the extent of 60 per cent. of their value of July 27.

l. The Treasury announced on the 4 November that a Committee consisting of representatives of the Treasury, the Bank of England, the joint stock banks, and the Association of Chambers of Commerce of the United Kingdom, had been formed, to whom was delegated the authorization of advances in approved cases to British traders carrying on an export business in respect of debts outstanding in foreign countries and the Colonies, including unpaid foreign and colonial acceptances, which would not be collected for the time being. The Government was to ask the Parliament to provide that the ultimate loss, if any, should be borne to the extent of 75 per cent. by the Exchequer and to the extent of 25 per cent by the accepting bank and to make the charge upon the outstanding debts valid and effective as against all persons without registration or other formal notification.

m. On the outbreak of war it became evident that a very serious situation was likely to develop in connection with the supply of sugar for the United Kingdom. In the first place, Germany and Austria, on which that country had been dependent for about two-thirds of all the sugar consumed, became suddenly closed as sources of supply, as well for immediate as for future delivery. Secondly, the complete dislocation of the

financial market, and more specially of the remittance market, threatened to paralyze dealings with other countries from which supplies might be bought. Thus there was imminent danger of a positive famine in sugar, once existing stocks had become exhausted, and the certainty that for some considerable period the price of sugar would rise to an almost prohibited figure. In these circumstances His Majesty's Government decided to take upon itself the task of ensuring an adequate supply and of arranging for its distribution on terms that would be no more onerous to the public than the actual conditions made inevitable. The first steps taken put an immediate end to speculation in sugar and to the rise in price. The leading refiners were approached and an arrangement was made that the whole body of refiners should stand aside from the market for raw sugar, leaving it free for the operations of the Government ; that they should look to the Government alone for the supply of raw sugar for the factories ; that the sugar should be issued to them at fixed price ; and that they, in turn, should sell their refined products to dealers also at a fixed price, the difference between the two prices being no more than sufficient to allow them a fair profit on manufacture.

n. These are some of the principal measures taken by the Government with regard to commerce and industry. It will be seen how many of them like the embargo on gold, restrictions on exports and imports, fixing prices of particular articles and commandeering the stocks are in contravention of some of the accepted economic theories, but as the proverb goes "Desperate diseases require desperate measures." It is supposed in some quarters that some of the measures taken during this crisis being of a socialistic nature, socialism has triumphed to some extent. This remains to be seen, however, as the return to normal conditions may mean a return again to the old economic theories.

4. Over and above the measures taken by the different Governments to safeguard their commerce and industry, there were several measures taken by Banks, Chambers of Commerce and the general commercial public to whittle the effects of this great catastrophy. By the 30th of July 1914, that is while the sabre began to rattle in Europe, all the stock exchanges of the world had closed, with the exceptions of London, New York and the Official market (Parquet) at Paris. On the 31st July postponement of the Paris Bourse settlement closed the London stock exchange, which was soon followed by New York. The parquet followed on the 2nd September. Our local Bombay exchange was also closed shortly after the declaration of war. This action of stock exchanges was rendered necessary by the fear that all the securities including even the gold edged ones, would topple down with a crash if they were to remain open. In the first flush of panic and frenzy people wanted cash any how and were ready to undergo any amount of loss to get this. Such a crash in prices of stocks and securities would have led to some of the Banks atleast ruining their customers by calling for more cover. It was only after the excitement had worn off and months passed with the steady and silent growing strength of the Allies that all the stock exchanges were reopened (this too has been done with modifications). The Chambers of Commerce and Commercial Associations of Great Britain have been extremely active throughout all this period, directly co-operating with the Government and themselves initiating movements of great value to the commercial community in general. They were greatly instrumental in bringing about the solution of the great problems of synthetic dyes, sugar, hostile mercantile firms and the financial settlement. Chambers of Commerce in India have also been active, though necessarily, by the very nature of things, their activity cannot rise to

that displayed by their compeers in the United Kingdom which are situated just near the seat of war and have to handle problems of Imperial significance, or to that displayed by German and French Chambers of Commerce which are invested with several state responsibilities. Mention must also be made of the help given by Banks to trade and industries and the care they have taken not to bring about any precipitate evil effects on the market. I need not go into the details of steps taken and suggestions recommended by Chambers of Commerce, which would fitly be another subject for such a lecture after the war is over, when it will be seen what important part these have played throughout the great struggle and the storm and stress we are passing through. I want to draw your attention, as students of the Commercial College, to this great force, as these Chambers are, in the modern world of finance and industry.

5. After dealing thus with measures taken by the Government and the steps adopted by the commercial community, we come to consider the effects, so far as they are seen now, of this war on some of the principal trades and industries.

a. We shall first take an article which is of the highest importance in the Presidency and plays not a small part in the country as a whole ;—I mean cotton. Of what immense importance this crop is to the country will be seen from the fact that its acreage forms almost half of the total acreage of non-food crops of India, its export represents 33.5 p. c. of the total value of raw materials exported from India and 17 p. c. of the total exports. When the war was declared, grave fears were entertained regarding this staple, as our Continental markets of Germany and Austria became closed to us and even the trade with Japan suffered because of the shortage of shipping and the presence of a few German commerce destroyers. Not only

this but it was naturally expected that the cotton manufacturing Industry of the world would have to curtail considerably its working due to the depressing effects of the war. Due to these reasons, and also specially to a reason to which I am just coming, the cotton prices which were showing signs of depression since February 1914 came down with a crash like a card house of a child before a gust of wind. This other reason to which I alluded is the tone of the American market. It is a phenomenon familiar enough to all concerned with the cotton trade that American prices rule the Indian quotations for cotton. Why this should be so and whether it should be so are questions into which it would be perhaps impertinent for me to venture. But the fact is there. I give here a small table showing how for 1912-13 and 1913-14 prices per lb. of American midding upland cotton at Liverpool and of good Broach cotton at Bombay were almost the same.

	1912-13.		1913-14.	
	Liverpool	Bombay	Liverpool	Bombay
Highest	7·44	7·02	7·89	6·61
Lowest	6·09	5·51	6·41	5·41
Average	6·75	6·27	7·06	6·03

The Director of Statistics in his last interesting Review of the Trade of India cryptically remarks with reference to this that 'the foreign prices reflect on the prices ruling in India', meaning of course the price of what may be termed world-commodities. The price of American cotton on the declaration of war was showing signs of coming down heavily when the Liverpool cotton Association fixed on the 5th August the minimum of 6·50 d. per lb. for mid and 6·12 d. per lb. for

January and February delivery. On the 20th the price of spot cotton was reduced to 6·20 and January February to 5·90. It is interesting to compare quotations for weeks immediately following the war with those immediately preceding it.

Raw cotton (middling per lb. American) (d)	August 20	August 13	August 6	July 30
	6·20	6·50	6·66	6.86
	July 23	July 16.		
	7·35	7·39	and still more	

interesting to compare the quotation on August 20, 1914 with those ruling on the same date in previous years.

1913.	1912.	1911.	1910.	1909.
6·92.	6·44.	6·92.	8·03.	6·83.

There was thus an appreciable fall which, as we shall see later on, becomes more and more as week after week of the war goes on. Prices of Broach cotton for March delivery were Rs. 284 just before the opening of hostilities but they declined heavily during the latter part of July owing to Continental War news and came down to Rs. 254 in the beginning of August just on the bursting of the war cloud, and they began their downward career thence forward touching Rs. 205 on the 27th August. After the opening of the war very little export was made and therefore there was practically no demand for spot cotton, except some stray purchases by local Mills. I give below the lowest points which American and Indian cotton touched during different months showing the perpendicular drops which caused almost a panic.

	American Cotton	Indian Cotton (Broach)
	d.	Rs.
September	5·30	204
October	4·80	164
November	4·10	170
December	4·03	170

An effort was made in October to prevent the fall in prices by both the local Cotton Associations fixing minima rates but the buyers finding them too high and there being too many sellers, the business came to a standstill and the fixed rates had to be declared cancelled. One other reason for this was also a desire for conformity with the Liverpool market which improved as confidence and credit began to be restored and there remained no necessity for minima rates. The lowering of the prices was one of the phenomena connected with the war. Another was the serious decrease in the exports of cotton due to the closing of the Continental markets, the unwillingness of Japan at the time to go in for large purchases and also the disturbed condition of the seas. Thus during September there was a decrease of 99,620 bales in the export of cotton as compared with the same month of the previous year. For the two months of September and October there was a total decrease of 153, 364 bales, for the three months September to November a decrease of 207,160 bales, for the four months September to December a decrease of 138,037 bales, for the five months September to January a decrease of 262,361 bales. The slight recovery you find for the month of December was due to heavy shipments to Japan which have since continued. With this check to exports, abnormally heavy stocks in Bombay, the dislocation of credit and the decrease in prices, there was also

naturally a marked decrease in the receipt in Bombay of cotton from upcountry. I have prepared a table, given below showing the stocks of cotton at the begining of each month and the decreases in receipts of cotton for different periods during the last year as compared with the same for the year before.

Stocks in Bombay.

	Bales.
1st September 1914	680,000
1st October 1914	578,000
1st November 1914	484,000
1st December 1914	451,000
1st January 1914	392,000
1st February 1915	490,000

Decreases in Receipts of cotton as compared with corresponding periods 1913-14.

	Bales.
September 1st to October 1st, 1914	51,334
,, November 1st, 1914	159,729
,, December 1st, 1914	427,965
,, January 1st, 1914	654,020
,, February 1st, 1914	779,405

These figures suffice to show how serious the cotton situation was in common with all other trades. Whether there was a necessity for special action on the part of the Government has been a matter of bitter discussion and I should not like

here to go into it. Suffice it to say that the two local cotton Associations thought it necessary to send a deputation to Simla to urge the Government to postpone taking their revenue dues from cotton ryots for one month and to persuade owners of ginneries to postpone their operations for one month, the object of both these recommendations being to delay the bringing of the new crop on the market in order that the latter may have time to recover. These suggestions were however not accepted and there was a meeting of people interested in the cotton trade and industry convened by the Bombay Chamber of Commerce. This meeting recommended that immediate steps should be taken with a view to preventing any necessary decline in the price of cotton and requested the cooperation of the Government in such measures as may be found practicable for the storing and financing of the surplus crop of the season. A conference of leading bankers and merchants was convened by the Government of India at Delhi to consider the cotton question and Mr. Howard was deputed as a special officer to investigate the conditions in Bombay. The Government of India recently issued a resolution on the subject of the financing of cotton, placing at the disposal of Presidency Banks, just as they did in 1913, at the time of the banking crisis, four millions of the Paper currency reserve to be advanced to trade if necessary. The Government of India have also recommended the Ryots to go in for wheat cultivation in preference to cotton. The same force operates in the United States to reduce cotton cultivation and it is estimated that there will be a reduction of about 30 per cent. in cotton acreage there. This recommendation of the Government has also been much subject to criticism principally on the ground that it will unduly inflate cotton prices.

(*b*) After dealing thus with cotton we turn next to piecegoods both Foreign and Indian, what we have principally to observe here is the huge piling up of stocks, contributory

causes being oversupply, the last Banking crisis and the present war. There were about 169, 794 packages of Foreign piecegoods on the 31st December 1914 in Bombay Port Trust warehouses as compared with 114, 669 packages on the same date in 1913; 63, 641 in 1912; 56, 430 in 1911; 46, 677 in 1910; and 54·034 in 1909. Unfortunately we cannot have similar figures for indigenous piecegoods but from all accounts it appears that the stocks are very large. Both with regard to foreign and Indian piecegoods traders are averse to clear any stocks and prefer to pay interest on them. There is a sort of permanent moratorium in this case to which I referred in the begining, local manufacturers, indent officers and exchange banks not pressing their demands which would unsettle the market and bring about a crash. The war has, to all appearances, not much effect on the production of our cotton Mills. One reason for this may be found in cheap cotton which induced Mill owners to continue running their Mills. It is true, some of them had to close, but several have reopened. It must at the same time, be said that in this case it is too early to judge the effects. The decreases in the total quantity of yarn spun and woven goods manufactured are as follows for the months of September, October and November 1914, as compared with the same period in 1913.

Percentage of Decrease.

	September 1914.	October 1914.	November 1914.
Yarn Spun	5'1	14'4	16'5
Woven goods manufactured	35'2	2'4	'09

Regarding the imports of Foreign piecegoods we find that for the month of October there was actually an increase of 11 p. c. 15 p. c. and 29 p. c. in the value of yarn, grey and white piecegoods respectively, but a decrease in coloured piece-

goods of 24 p. c. as this item mainly comes from enemy countries. The increases were due to imports of piecegoods under terms of contracts made previously. For November there was a decrease of 9 p. c. for yarn, of 21 p. c. for white piecegoods, 35 p. c. for coloured piecegoods and an increase of 19 p. c. for grey piecegoods. For December there was a decrease of 28 p. c. for yarn, 31 p. c. for Grey piecegoods, 29 p. c. for White piecegoods and 38 p. c. for coloured piecegoods. These are the effects of the period just following the war. It remains to be seen what will be the effects of the later period when the influence of the war on the staple industry of Great Britain will be seen in diminishing exports, not only due to the general depression but because also of the shortage of labour and heavier freight.

(*c*). Next to cotton and cotton piecegoods the commodity which commands our attention is Wheat. Indian wheat does not figure in the international market to any large extent, as it is ordinarily inferior to the wheat grown in Russia, the United States, Argentina and the other great wheat exporting countries of the world. At the same time however it must be said that it is required to supplement deficiencies of the world's crop and so is subject to fluctuations in price dependent on the European demand. The total outturn of Wheat of the world was 3,517 millions of bushels. Our export forms about 16. 7 p. c. of our total production in normal years. It has also been showing since the last several years an upward curve in prices, mainly due, in Mr. Datta's opinion, to the rise in the world markets. It was natural therefore that the great crisis affected the wheat market also, sensitive as are the modern trades and industries, and caused an upward leap in

the prices, aggravated by speculative dealers in Punjab. The almost abnormal quotations ruling however at present must have been expected only by a few. The price of wheat ranged as follows for the different months after the war as compared with the same in 1913.

Price per cwt.

	Rs.	as.	Pies.
September 1913	5	7	3
September 1914	6	0	8
October 1913	5	9	0
October 1914	5	14	1
November 1913	5	9	8
November 1914	6	9	1
December 1913	5	5	1
December 1914	6	13	8

I have been looking at the average prices of wheat from 1893 and 1912 and find that the above prices have been seldom reached before. It was in famines and that too in some Bombay Districts like Karwar and Ratnagiri, Gujarat Districts like Surat and Ahmedabad and rarely in some Central Provinces Districts that this high rate was reached. In India as a whole the rise in the price of the Wheat was 32 p. c. on the 15th January. It is interesting to learn from a recent statement issued by the Government that the rise in the price of Wheat at Liverpool was 38 p. c. on the 11th December, 32 p. c. in the United States and 25 p. c. in Canada on the same date, 27 p. c. in Italy on the 4th December, 56 and 51 p. c. respectively in Vienna and Budapest on the 4th December, 29 p. c. in Berlin at the end of October (no quotations are available for any later period due to the issue of the new regulations for the

husbanding of Germany's food resources.) It is thus a world wide increase in the price of wheat showing how, though the splendid structure of credit built up with the work of years has broken down, the elective affinity, as we may well term it, between the different countries still persists and is shown remarkably in the crash of prices of cotton and the upward leap in the prices of wheat. A conference was held at Delhi to consider the question of the abnormal increase in the price of wheat and it was probably on the recommendation of the Conference that the Government recently restricted, as I pointed out earlier, the exports of wheat. In this connection I have prepared a table of exports of wheat for different months for the last three years showing that exports upto December 1914 were not in any way abnormal. The Government action was presumably taken however in the belief that exports would leap up if unrestricted and also that their action would play a psychological part in checking the upward trend of prices.

(*d.*) Among our export staples Seeds are an important class. Since the growth of the foreign trade of India, their acreage and export have increased considerably, so much so that it is feared by several people that they are encroaching on the areas of food crops and diminishing the proportion which the acreage of the latter should bear to the growing population. Germany and Austria were our principal customers in the matter of these oilseeds, chiefly importing from us Linseed, Rapeseed, Tilseed, Copra and Mowra seeds. The total of the exports of seeds to Germany amounted to £. 2, 199, 401 in 1912-13 and £. 2, 740,318 in 1913-14 and to Austria-Hungary amounted to £. 513,854 in 1912-13 and £. 580,240 in 1913-14. It will be readily seen what a great part these exports played when we compare exports of seeds to other countries which were as below;—

To,

	£.
United Kingdom.	3,802,000
France	5,378,300
Belgium	2,748,000
Italy	857,000
Holland	173,000

The effect of the declaration of war was to depreciate in value these seeds, specially Linseed, which is as important a crop as cotton and is regarded in some quarters with the same sense of security as they would Goverment notes. The average rate of Linseed before the war was Rs. 9 per cwt. which dropped down to Rs. 5-8-0 to Rs. 6 after the declaration of hostilities. Copra too similarly declined but the market for these is gradually gaining as the exports to Germany are now being directed to the United Kingdom where efforts are being made to turn it in to different commercial products like Copra oil, butter, margarine etc. which were hitherto exported by Germany to that county. War has opened the eyes of the merchants and manufacturers of Great Britain to several such anomalies of Germany getting her raw products from India and dumping the manufactured products on the United Kingdom or back on India itself. Thus Germany was once of our greatest purchasers of Rice from which she prepared starch and sent it to us of the annual value of about £. 40,000. With regard to these seeds I have again to refer to the dislocation of credit, consequent falling off of the inter-provincial trade, diminution in exports and the great decrease in receipts into ports like Bombay. Thus during the month of November 1914 there was a decrease in the receipts of Linseed

and rapeseed respectively of 5·6 p. c. and 41. 1 p. c. as compared with those for the month of November 1913. For the eight months April to November 1914, as compared with the same period of 1913, there was a falling off of 34·1 p. c. and 32·1 p. c. respectively. I have pointed out to you the principal products affected by the war excepting Jute which is the staple with which Calcutta is principlly concerned. They typically illustrate the effect of the great crisis and serve as a key in our examination of other commodities also.

6. After dealing thus with some of the principal imports and exports I shall now come to the total imports and exports which have suffered considerably. The trade returns for September 1914 *i. e.* the second month of the war showed decreases in the value of both imports and exports of 42·7 p. c. and 24·7 p. c. respectively, as compared with August 1914 and of 55·6 and 61·5 as compared with September 1913. The figures of imports were the lowest recorded since December 1902 while those of exports were as low as in September 1900. The October trade showed some recovery both in exports and imports as compared with the preceding months but was still behind the same month of 1913. November showed a notable increase in exports but a slight decline in imports. For December there was a decrease both in imports and exports. I give below the precentages of these decreases and increases for the different months as compared with the preceding months and with the same periods of the preceding year. These figures are for merchandise, though it may be mentioned that treasure showed even a bigger decline, as was natural looking to the drop in exports.

Percentage of Increase or Decrease as compared with.

	September.	October.	October.	Nov.	Nov.	Dec.
	1914	1913	1914	1913	1914	1913
Imports October 1914.	+67·	—26·				
Exports October 1914.	+31·	—55				
Imports Nov. 1914.			—4	—27·4		
Exports Nov. 1914.			+58	—17·		
Imports Dec. 1914.					—15	—29·3
Exports Dec. 1914.					—19	—32·2

7. Besides the effects mentioned by me already, there are the well-known depreciation of even gold-edged securities, not to mention other stocks and shares, decrease in Railway earnings, shortage of shipping and the consequent extraordinary increase in freight and a general depression from which we have not recovered. The most marked, because the most felt, phenomenon was, however, the dislocation of the delicate and highly sensitive machinery of credit, perfected through years of laborious and scientific work and supplying what may well be called a veritable life force to the collossal national and international trade. The war acted like a seismic revolution

in placing this machinery out of order. To us in India, as to everyone else in the civilised world, this machinery of credit was a godsend. Just go through the statistics of the foreign trade of India and a tale of romance will be unfolded to you. I shall not weary you with any further statistics but books like Milburn's "Oriental Commerce" will supply you with statistical information about the foreign trade of India since 1,600 when the first blue book of the Sea-borne trade was published by the Government of Great Britain. All this huge building up, specially during the last half-a-century, is mainly due to the introduction of the principle of credit in place of cash transactions. The facilities of bills and drafts of a long period enabling trade and industries to go on with a minimum of Capital have worked these wonders. It was this machine which was placed out of order and it was the timely introduct-ion of the Government with measures, sketched by me in the beginning of this lecture, that mainly served to keep the machine going. We, in India, must acknowledge our debt not only to these measures but also to those banks, manufacturers and importing houses which, through the observance of a sort of moral moratorium, have managed to safeguard the machinery of credit as far as possible against the disruptig influence of the great crisis. I have not purposely dilated on the influence of the war on the Currency System of India as it is under trial. But it may be mentioned, as several currency experts like Mr. Keynes have observed, that the Currency System of India has stood better than most the early days of the crisis. The steadiness of the exchange has shown how well it has borne the strain and helped to prevent panic in trade circles.

8. Before I close, I should like to say that the outlines I have given of the effects of the present war on the trade in this country touch but the fringe of the problem and are intended specially to serve as an incentive to you in your

studies of economic and commercial problems of which the war will give you a host. This science, which appears to the general public 'a dismal science,' as your Principal put it, is, like the caves of Ajanta, Elephanta and the like, but dreary in appearance from outside, but when you penetrate inside and search, with patience, carvings, statuary and architecture represented there, you are struck with admiration at the display of art; similarly when we go deeper into this science we are rewarded for our patience by the discovery of important laws and facts and figures which not infrequently are a key to the progress of a nation.

Printed by G. R. Mhatre at the Shri Kalika P. Press, Fort, Bombay, and published by J. K. Mehta M. A. at 77-79, Apollo Street, Bombay.

MSH 20913

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